

**THE LEARNING CENTER FOR FAMILIES**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**



**KEMP BURDICK**  
**KEMP BURDICK HINTON & HALL L.C.**  
**CPA'S & ADVISORS**

# THE LEARNING CENTER FOR FAMILIES

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**KEMPBURDICK**

KEMP BURDICK HINTON & HALL L.C.

**CPA'S & ADVISORS**

## Independent Auditors' Report

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying statement of financial position of The Learning Center for Families (a non-profit corporation) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Learning Center for Families as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2005, on our consideration of Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The statement of functional expenses and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 16, 2005

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Financial Position**  
**June 30, 2005**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 54,601
Grants receivable	80,628
Deposits	3,432
Prepaid insurance	<u>14,326</u>

Total current assets 152,987

Fixed assets:

Furniture and equipment	337,782
Vehicles	37,959
Leasehold improvements	52,726
Accumulated depreciation	<u>(259,681)</u>

Total fixed assets 168,786

Total assets \$ 321,773

**Liabilities and net assets**

Current liabilities:

Accounts payable	\$ 24,928
Accrued liabilities	<u>54,920</u>

Total current liabilities 79,848

Total liabilities 79,848

**Net assets**

Unrestricted 241,925

Total net assets 241,925

Total liabilities and net assets \$ 321,773

The accompanying notes are an integral part of the financial statements.

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

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	<b>Unrestricted Total</b>
<b>Revenues, gains, and other support:</b>	
Grant income	\$ 1,443,529
Contribution income	141,853
Third party reimbursements	28,821
Interest income	<u>611</u>
Total revenues, gains, and other support	<u>1,614,814</u>
<b>Expenses and losses:</b>	
Program services:	
Program A - Early Intervention / Early Head Start	1,531,591
Support services:	
Management and general	<u>171,652</u>
Total expenses and losses	<u>1,703,243</u>
<b>Change in net assets</b>	(88,429)
Net assets at beginning of year	<u>330,354</u>
<b>Net assets at end of year</b>	<u><u>\$ 241,925</u></u>

The accompanying notes are an integral part of the financial statements.

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2005**

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<b>Cash flows from operating activities:</b>	
Cash received from grants	\$ 1,440,735
Cash received from contributions	141,853
Cash received from third party reimbursements	28,821
Interest received	611
Cash paid for program expenses	(1,434,875)
Cash paid for management and general expenses	<u>(152,397)</u>
Cash flows from operating activities	<u>24,748</u>
 <b>Cash flows from investing activities:</b>	
Purchases of fixed assets	<u>(31,389)</u>
Cash flows from investing activities	<u>(31,389)</u>
 <b>Net increase in cash and cash equivalents</b>	(6,641)
 Cash and cash equivalents, beginning of year	<u>61,242</u>
 <b>Cash and cash equivalents, end of year</b>	<u><u>\$ 54,601</u></u>
 <b>Reconciliation of change in net assets to cash flows from operating activities:</b>	
Change in net assets	\$ (88,429)
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	75,520
Changes in operating assets and liabilities:	
(Increase)/Decrease in grant receivables	(2,794)
(Increase)/Decrease in prepaid insurance	19,255
Increase/(Decrease) in accounts payable	12,854
Increase/(Decrease) in accrued liabilities	<u>8,342</u>
Cash flows from operating activities	<u><u>\$ 24,748</u></u>

The accompanying notes are an integral part of the financial statements.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.           Summary of Significant Accounting Policies**

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This summary of significant accounting policies of The Learning Center for Families, (the Center) is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Description of Program

The Learning Center for Families (a nonprofit organization) was organized under the laws of the State of Utah and began operations on February 9, 1994. The Center provides the following services to provide early intervention educational and therapeutic services to children and their families:

**Early Intervention**-The Center operates a multifaceted early intervention program that provides families with comprehensive individualized services. The key points to the service delivery system are;

- The provision of family focused, culturally competent services,
- Community outreach and early identification of eligible children,
- Multi-disciplinary assessment,
- Empowerment of families by providing a wide array of supportive assistance,
- Effective staff development,
- Full participation with existing associate agencies in Washington County in the actualization of a shared community vision for all families of children with special needs.

**Early Head Start**-The Center established this program for low income pregnant women and families with infants and toddlers to enhance the children's physical, social, emotional and cognitive development. The program also is designed to enable parents to be better caregivers to and teachers of their children and help parents meet their own goals, including that of economic independence.

The Center is primarily funded by grants through the State of Utah Department of Health for the Early Intervention program and the United States Department of Health and Human Services for the Early Head Start program.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial*



**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.      Summary of Significant Accounting Policies, Continued**

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*Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributed Services

During the year ended June 30, 2005, the Center's Early Head Start program benefited from the services of volunteers. The Center recorded donation revenue of \$141,853 in the statement of activities for services meeting the requirements for recognition. Additional services contributed to the Center's Early Head Start program by volunteers, valued at \$14,603, did not meet the requirements for recognition and, therefore, have not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows and footnote 2, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Office and other supplies are deemed immaterial and not recorded as inventory.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.        Summary of Significant Accounting Policies, Continued**

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Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property and equipment is provided on the straight-line method over their estimated useful lives as follows:

Vehicles	5 years
Equipment	3-10 years
Furniture & Fixtures	5-10 years
Leasehold Improvements	3-39 years

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Major renewals and betterments are capitalized. Gains or losses on dispositions of property and equipment are included in revenue in the year of disposition.

Income Taxes

No amounts have been paid or accrued for income taxes as the Center is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 2.      Cash and Investments**

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At year end the carrying amount of the Center's deposits was \$54,201 and the bank balance was \$133,377. Of the bank balance, \$133,377 was covered by federal depositor insurance.

The Center's deposits at year end are shown as follows:

	Carrying Amount
Cash on hand	\$      400
Cash in bank	<u>54,201</u>
Total	<u>\$    54,601</u>

Cash and investments are reported in the Statement of Financial Position as follows:

Cash and cash equivalents	\$    54,601
Restricted cash	<u>0</u>
Total	<u>\$    54,601</u>

Restricted cash is cash held that must be used according to the grant agreements. All grant-restricted funds are held in non-interest bearing bank accounts. Unrestricted cash is held in accounts that bear interest.

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**Note 3.      Grants Receivable**

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Grants receivable for services provided is \$80,628 net of allowance for doubtful accounts of \$0.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 4. Property and Equipment**

The following table summarizes the changes to fixed assets during the year ended June 30, 2005. Depreciation expense for the year ended June 30, 2005 is \$75,520.

	Balance 6/30/2004	Additions	Disposals	Balance 6/30/2005
Furniture & Equipment	\$ 307,668	\$ 31,389	\$ (1,275)	\$ 337,782
Vehicles	37,959	-	-	37,959
Leasehold Improvements	52,726	-	-	52,726
<b>Total</b>	<b>398,353</b>	<b>31,389</b>	<b>(1,275)</b>	<b>428,467</b>
Less Accumulated Depreciation	(185,436)	(75,520)	1,275	(259,681)
	<u>\$ 212,917</u>	<u>\$ (44,131)</u>	<u>\$ -</u>	<u>\$ 168,786</u>

**Note 5. Lease Commitment**

The company leases office space in St. George, Utah under a three-year operating lease with an expiration date of September 30, 2005.

Future minimum operating lease commitments are as follows:

Year Ended June 30,	
2006	\$ 7,778

The Center also leases office space in Hurricane, Utah and Hildale, Utah and a storage unit on short-term arrangements, with monthly rental payments of \$500, \$975 and \$90, respectively. Rent expense for the year ended June 30, 2005 is \$54,842.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 6.        Retirement Plan**

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The Center maintains a 403(b) Retirement Savings Plan. The plan contains provisions for 50 percent matching contributions of up to 10 percent deferral of eligible employees' annual wage. The plan covers employees of the Center having reached the age of 21 and having worked at least one year during which the employee was compensated for at least 1000 hours. Contributions are made based on regular payroll compensation for each eligible employee and are employees are fully vested in the plan after two full years of participation. Contributions are made based on regular payroll compensation for each eligible employee. For the year ended June 30, 2005, employer contributions were \$8,438.

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**Note 7.        Risk Management**

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The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center maintains insurance for auto liability, employee dishonesty and general liability through various insurance policies purchased through Hafen Insurance, Inc. Worker's Compensation is carried through the State Worker's Compensation Fund.

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**Note 8.        Related Party Transaction**

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During the 2005 fiscal year the Center purchased auto liability, employee dishonesty, general liability and employee disability insurance policies from Brad Hafen of Hafen Insurance. Mr. Hafen is the President of the Center's Board of Directors. The total amount paid to Hafen Insurance during the fiscal year was \$208 and the Center had a credit balance with Hafen Insurance at June 30, 2005 of \$10,333.

## **SUPPLEMENTARY INFORMATION**

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2005**

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<u>Expense category</u>	<b>Program A</b>		<b>Total</b>
	<b>Early Intervention Early Head Start</b>	<b>Management &amp; General</b>	
Child care partners	\$ 110,651	\$ -	\$ 110,651
Child find	3,454	-	3,454
Contract labor	91,493	-	91,493
Depreciation	66,458	9,062	75,520
In-service and education	41,450	5,652	47,102
Insurance	10,844	1,479	12,323
Janitorial and repairs	12,422	1,694	14,116
Membership dues	1,024	140	1,164
Office supplies	25,276	3,447	28,723
Payroll taxes and benefits	262,687	35,821	298,508
Postage	1,779	243	2,022
Professional fees	2,132	291	2,423
Program supplies	67,218	-	67,218
Rent	48,261	6,581	54,842
Salaries and wages	714,253	97,398	811,651
Telephone and utilities	10,767	1,468	12,235
Travel	61,422	8,376	69,798
<b>Total expenses</b>	<b>\$ 1,531,591</b>	<b>\$ 171,652</b>	<b>\$ 1,703,243</b>

See accountants' report.

**FEDERAL AND STATE REPORTS**





**KEMP BURDICK**  
KEMP BURDICK HINTON & HALL L.L.C.  
**CPA'S & ADVISORS**

**Independent Auditor's Report on Compliance with  
Laws and Regulations and on  
Internal Control over Financial Reporting  
Based on an Audit of General-Purpose  
Financial Statements Performed in Accordance  
with Government Auditing Standards**

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

We have audited the financial statements of The Learning Center for Families (a nonprofit organization), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Learning Center for Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance, which we have reported to management of The Learning Center for Families in the accompanying findings and recommendations letter dated November 16, 2005.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Learning Center for Families' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of The Learning Center for Families in the accompanying findings and recommendations letter dated November 16, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 16, 2005



**KEMP BURDICK**  
KEMP BURDICK HINTON & HALL L.C.  
CPA'S & ADVISORS

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

### Independent Auditors' Report on State Legal Compliance

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

We have audited the financial statements of The Learning Center for Families, a nonprofit corporation, for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2005. As part of our audit, we have audited The Learning Center for Families' compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Learning Center for Families received the following major assistance programs from the State of Utah:

#### Utah Department of Health – Baby Watch Early Intervention Program

The management of The Learning Center for Families is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about The Learning Center for Families' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying findings and recommendations letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, The Learning Center for Families complied, in all material aspects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Kemp, Burdick, Hinton & Hall, L.C.*  
KEMP, BURDICK, HINTON & HALL, L.C.  
November 16, 2005

**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

<u>Program By Federal Agency or Department</u>	<u>Federal Catalog Number</u>	<u>Pass-through Grantor # or Contract</u>	<u>Total Awards Expended</u>
Department of Education			
Pass-through grant from Utah Department			
Health - Early Intervention Program	84.181A	046450	\$ 234,300
Department of Health and Human Services			
Early Head Start	93.600	08CH0133/04 08CH0133/03	513,027 *
Total Expenditures of Federal Awards			<u>\$ 747,327</u>

\* Major Program

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

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**Note 1.           Basis of Presentation**

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The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Learning Center for Families and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the general purpose financial statements.

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**Note 2.           Pass-through Awards**

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The Learning Center for Families receives certain federal financial assistance from pass-through awards. The total federal expenditures of federal awards from pass-through activity are noted above.



**KEMPBURDICK**  
KEMP BURDICK HINTON & HALL L.L.C.  
CPA'S & ADVISORS

**Report on Compliance with Requirements  
Applicable to Each Major Program  
and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

Compliance

We have audited the compliance of The Learning Center for Families with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133's *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Learning Center for Families' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of The Learning Center for Families' management. Our responsibility is to express an opinion on The Learning Center for Families' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Learning Center for Families' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Learning Center for Families' compliance with those requirements.

In our opinion, The Learning Center for Families complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of The Learning Center for Families is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered The Learning Center for Families' internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and the federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 16, 2005

**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2005**

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**Section I – Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs.

CFDA Number(s)

Name of Federal Program or Cluster

93.600

Head Start

Dollar threshold used to distinguish between type  
A and type B programs:

\$ 500,000

Auditee qualified as low-risk auditee? ☐ yes

☒ no



**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2005**

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**Section II – Financial Statement Findings**

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None noted

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**Section III – Federal Award Findings and Questioned Costs**

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None noted

It has been a pleasure to be of service to the Center this year. We would like to express special thanks to each of you who assisted us in this audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.  
November 16, 2005



**KEMPBURDICK**  
KEMP BURDICK HINTON & HALL L.L.C.  
CPA'S & ADVISORS

**Findings and Recommendations**

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Ladies and Gentlemen:

During our audit of the financial statements of The Learning Center for Families for the fiscal year ended June 30, 2005, we noted a few areas that, if improved, would strengthen the Organization's accounting system and control over its assets. These items are discussed below for your consideration.

**Compliance Findings and Recommendations:**

**05-01. Medicaid Reimbursement**

**Finding**

While reviewing Medicaid reimbursements through the baby watch early intervention program, we noted that the Center was not filing for Medicaid reimbursement according to the provider contract. The provider contract states that "The Contractor (The Learning Center for Families) agrees to process Medicaid billings at least monthly, to the Department (Utah Department of Health) following the end of the month the billing relates too."

**Recommendation**

We recommend that the Center establish procedures to ensure that the Medicaid reimbursements are filed according to the provider contract.

**General Findings and Recommendations:**

**05-01. Authorization of Transactions**

**Finding**

We noted several purchase orders over the internal thresholds for authorization by department heads that were not properly authorized before payment was rendered.

### Recommendation

As transaction authorization is a key component of internal control, we recommend that the existing policies of the Center be re-emphasized and followed.

#### 05-02. Expense Reimbursements

### Finding

While reviewing expense reimbursements, we noted several requests for reimbursement that were for expenses incurred two or three months before the reimbursement request was submitted.

### Recommendation

In order for the Center to have an accurate picture of year-to-date expenses incurred on a specific grant, it is vital for the employees to submit their expense reimbursements in a timely manner. We recommend that the Center re-emphasize this fact with the Center's personnel and consider establishing a policy for timely expense reimbursement.

#### 05-03. Accrual Accounting

### Finding

We noted that the Center made some effort to reconcile its cash basis records to accrual basis records at the end of the fiscal period for financial statement reporting. However, we noted grant reimbursement requests were still prepared using the cash basis of accounting at year end. While the cash basis of accounting may be acceptable for preparing monthly reimbursement requests, the final reimbursement request for the year should be prepared under the accrual basis of accounting taking into account wages payable.

### Recommendation

We recommend that the Center establish a procedure to use accrual basis accounting for the year end reimbursement requests to ensure that all costs incurred in the fiscal period for grant availability are properly included in the final reimbursement request.

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the Board of Directors and management and is not intended to be used and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Organization this past year. We express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary. We look forward to a continued professional relationship.

Sincerely,

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 16, 2005



"Promoting the Health and Development of Children  
and Strengthening Their Families Through Community Support"

February 27, 2006

Office of the State Auditor  
Mr. Auston G. Johnson, CPA  
State Capital Complex Suite E310  
PO Box 142310  
Salt Lake City, UT 84114-2310

Dear Mr. Johnson

The following is our response to the findings of Kemp, Burdick, Hinton and Hall, CPA's, in the attached 2005 audit for The Learning Center for Families.

#### Response to Compliance Findings and Recommendations

##### 05-01. Medicaid Reimbursement

We fell behind in Medicaid reimbursements because the system "Proclaim" was updated to a new release. We were informed that "Proclaim" personnel would come on site to install and train us on its use. We waited several months. In the interim, our Medicaid billing staff person took employment elsewhere. The Proclaim trainer never did come to our program. Finally, we obtained assistance from another early intervention provider. We now have the new version of Proclaim installed and are catching up on our Medicaid billings.

#### Response to General Findings

##### 05-01. Authorization of Transactions

Upon becoming aware of this issue, we immediately held a training session on our purchasing authorization policy. Additionally a memo was issued to department heads that reiterates our existing policy. Also, the bookkeeping staff person has been trained to reject all Purchase Orders that do not have the required signatures for purchasing thresholds.



05-02. Expense Reimbursements

This problem occurred with one employee who is no longer with our organization. All current employees do provide timely expense reimbursement requests.

05-02. Accrual Accounting

We are presently training a new bookkeeper. We are in the process of transitioning into accrual accounting and anticipate that we will complete this transition in this fiscal year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Glenn Justice', with a stylized, flowing script.

Glenn Justice  
Fiscal Manager  
The Learning Center for Families